Instructions for 2024 Schedule MA-M

Purpose of Schedule MA-M

Use Schedule MA-M to claim the manufacturing credit. The credit is available for taxable years beginning after December 31, 2012.

Who is Eligible For the Credit

Any individual, estate, trust, partnership, limited liability company (LLC), corporation, tax-option (S) corporation, or tax-exempt organization may be eligible for the credit.

In order to be eligible to compute the credit, a claimant must generate receipts from the lease, rental, license, sale, exchange, or other disposition from the following:

- Tangible personal property manufactured in whole or in part by the claimant on property located in Wisconsin that is assessed as manufacturing under sec. 70.995, Wis. Stats., or located in Wisconsin and classified as manufacturing under sec. 70.995(5n), Wis. Stats.

Partnerships, LLCs treated as partnerships, and tax-option (S) corporations cannot claim the credit; the credit computed by those entities flows through to the partners, members, or shareholders based on their ownership interests.

Estates and trusts share the credit with their beneficiaries in proportion to the income allocable to each.

The credit must be claimed within four years of the unextended due date of your return.

Manufacturing Assessments

Prior to January 1 2024, manufacturing property could be assessed as personal property or real property. 2023 Wisconsin Act 12 repealed personal property taxes starting with assessment year 2024and created sec. 70.995(5n), Wis. Stats, to classify personal property as manufacturing. Establishments **not** classified as manufacturing prior to January 1, 2024, must file an application with the Department of Revenues division of State and Local Finance no later than July 1 of the taxable year. Establishments classified as manufacturing prior to January 1, 2024, are presumed to be engaged in manufacturing and do not need to apply.

Further information regarding getting manufacturing personal property classified as manufacturing can be found at: https://www.revenue.wi.gov/Pages/FAQS/ise-manufagr.aspx

Manufacturing assessments for real property are performed by the Department of Revenue's division of State and Local Finance's Manufacturing Bureau. Generally, applicants must request certification by March 1 of the prior calendar year in order to be certified for the current calendar year; however, if the applicant is approved by DOR to be classified as a manufacturer, but is not eligible to be listed on the manufacturing roll until January 1 of the following year, the applicant may claim the credit in the year in which the manufacturing classification is approved.

To find out if the property is assessed as manufacturing real property, visit the department's online manufacturing assessment roll lookup at: https://ww2.revenue.wi.gov/RETRWebRolls/application.

To find out if personal property has been classified as manufacturing property, visit the departments online business activity roll lookup at: https://www.revenue.wi.gov/Pages/Manufacturing/notification-rolls-business-activity.aspx

For answers to additional manufacturing assessment questions, contact the regional office located on the following page: slfdoc.pdf (wi.gov)

For potential manufacturers (both real and personal property), complete the following questionnaire: revenue.wi.gov/DORForms/pa-780.xlsx

Contact information for the Department of Revenue's Manufacturing Bureau can be found at: revenue.wi.gov/Pages/Contact/slfbmta.aspx

Credit is Income

The credit that you compute on Schedule MA-M is income and must be reported on your Wisconsin franchise or income tax return in the year after the year in which the credit was computed. The credit must be included in Wisconsin income to the extent it was not included in federal adjusted gross income or federal taxable income. This is required even if you are not able to fully utilize the credit in the current taxable year.

Example: You computed a manufacturing credit for 2024. The amount of the credit must be included on your 2025 Wisconsin income or franchise tax return to the extent it is not included in your 2025 federal adjusted gross income or federal taxable income.

Carryforward of Unused Credits

The manufacturing credit is nonrefundable. Any unused credit may be carried forward for up to 15 years.

If there is a reorganization of a corporation claiming the manufacturing credit, the limitations provided by Internal Revenue Code (IRC) section 383 may apply to the carryover of any unused credit.

Specific Instructions

Note: If you have qualified production activities income from both manufacturing and agricultural activities, you must complete a separate Schedule MA-M and MA-A to compute the credit separately for each activity.

Answer questions A through D if you must complete lines 1-15g of Schedule MA-M.

For questions A and B, if you have multiple lines of personal and real property, attach additional account and parcel numbers on a separate schedule. As an alternative to including a separate schedule detailing the parcel numbers, you may also include a copy of the assessment notices received from the Department of Revenue.

Part I Instructions

Line 1: Fill in the amount of your production gross receipts.

"**Production gross receipts**" means the gross receipts from the lease, rental, license, sale, exchange, or other disposition of "**qualified production property**".

"**Qualified production property**" is tangible personal property manufactured in whole or in part by the claimant on property located in Wisconsin that is assessed as manufacturing property under sec. 70.995, Wis. Stats., or located in Wisconsin and classified as manufacturing under sec. 70.995(5n), Wis. Stats.

Qualified production gross receipts do not include gross receipts income from:

- Film production
- Producing, transmitting, or distributing electricity, natural gas, or potable water
- Constructing real property
- Engineering or architectural services performed with respect to constructing real property

- The sale of food and beverages prepared by the claimant at a retail establishment
- The lease, rental, license, sale, exchange, or other disposition of land
- Forgiveness of original Paycheck Protection Program (PPP) loan proceeds, forgiveness of subsequent PPP loan proceeds, emergency grants of economic injury disaster loans (EIDL) and targeted EIDL advances, or any other government grant or loan program.

Below are two examples that illustrate how production gross receipts are computed when manufacturing occurs separately in separate states and when manufacturing occurs and is transferred between states:

Example 1: A taxpayer manufactures products in Minnesota and Wisconsin entirely separate from each other, and the products never transfer between states.

Production gross receipts only include receipts from sales of products manufactured in Wisconsin.

Example 2: A taxpayer begins manufacturing qualified production property in Illinois and finishes the manufacturing at its plant in Wisconsin.

Production gross receipts include sales of all products manufactured in Wisconsin, in whole or in part, even though part of the product is manufactured in Illinois.

Line 2: Fill in the cost of goods sold that is allocable to your production gross receipts.

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Line 3: Fill in the direct costs allocable to production gross receipts.

"**Direct costs**" includes all ordinary and necessary expenses paid or incurred during the taxable year in carrying on the trade or business that are deductible as business expenses under the Internal Revenue Code and identified as direct costs in your managerial or cost accounting records. This includes depreciation expense computed under the IRC in effect for Wisconsin that are classified as direct costs.

There are no specific examples of direct costs provided in the statutes because not every business operation will account for direct and indirect costs in the same manner. Because of this variability, the determination of direct costs relies, in part, on the taxpayer's accounting records.

In general, direct costs are those costs that directly benefit one specific project or good that is being produced. Examples of direct costs may include production employee wages, supplies consumed directly in the production process, and costs of consultants used in producing the finished product.

Line 6: Fill in your indirect costs.

"**Indirect costs**" includes <u>all</u> ordinary and necessary expenses (not just those allocable to production gross receipts) paid or incurred during the taxable year in carrying on the trade or business that are deductible as business expenses under the Internal Revenue Code, other than cost of goods sold and direct costs, and identified as indirect costs in your managerial or cost accounting records. This includes depreciation expenses computed under the IRC in effect for Wisconsin that are classified as indirect costs. Like direct costs, there are no specific examples of indirect costs provided in the statutes because not every business operation will account for direct and indirect costs in the same manner. Because of this variability, the determination of indirect costs relies, in part, on the taxpayer's accounting records.

In general, indirect costs are costs that benefit more than one specific project or good that is being produced and cannot be easily traced to a single project or good being produced. Examples of indirect costs may include building rent, legal expenses, business insurance, advertising expenses, accounting and administrative salaries, office supplies, and certain utilities.

Line 8: Fill in all gross receipts of the business.

"Gross receipts" is all gross income from whatever source, except for those items specifically excluded under the Internal Revenue Code as adopted by Wisconsin and otherwise excluded under Wisconsin law. Include gross sales, gross dividends, gross interest income, gross rents, gross royalties, the gross sales price from the disposition of capital assets and business assets, gross income from pass-through entities, and all other gross receipts that are included in income before apportionment.

Note: For individuals, do not include gross receipts or income from sources not related to the business. For example, do not include your spouse's wages earned from an employer, and do not include rental income from an apartment building reported on federal Schedule E.

Line 9: Divide the amount on line 7 by the amount on line 8 and multiply that amount by 100. Fill in the result on line 9. Carry your decimal to four places, rounding off the fourth position.

Manufacturing Property Factor

Below are two examples that illustrate how production gross receipts are computed when manufacturing occurs separately in separate states and when manufacturing occurs and is transferred between states:

Example 1: A taxpayer manufactures products in Minnesota and Wisconsin entirely separate from each other, and the products never transfer between states.

The ***numerator of the manufacturing property factor*** includes Wisconsin land and depreciable property that was used to manufacture qualified production property.

The ***denominator of the manufacturing property factor*** includes Wisconsin land and depreciable property that was used to manufacture qualified production property

The manufacturing property factor does not include any of the Minnesota property because qualified production property was not produced in Minnesota.

Example 2: A taxpayer begins manufacturing qualified production property in Illinois and finishes the manufacturing at its plant in Wisconsin.

The ***numerator of the manufacturing property factor*** includes Wisconsin land and depreciable property that was used to manufacture qualified production property.

The ***denominator of the manufacturing property factor*** includes both the Illinois and Wisconsin land and depreciable property that were used to manufacture qualified production property.

The manufacturing property denominator includes the Illinois property because the product was manufactured, in part, in Wisconsin, so it is considered qualified production property.

Line 12a: If all of the manufacturing activity occurred in Wisconsin (i.e. products were not first manufactured outside of Wisconsin and transferred to Wisconsin for final manufacturing) on property that was assessed as manufacturing under sec. 70.995, Wis. Stats., or classified as manufacturing property under sec. 70.995(5n), Wis. Stats., check the box, skip lines 12b and 13, and enter 100.0000 on line 14. There is no requirement to complete the manufacturing property factor on lines 12b and 13 because you are certifying that all manufacturing activity took place in Wisconsin.

Line 12b: Fill in the average value of your land and depreciable property assessed as manufacturing property under sec. 70.995, Wis. Stats., or classified as manufacturing property under sec. 70.995(5n), Wis. Stats., owned or rented and used in Wisconsin during the taxable year to manufacture qualified production property.

Property owned by the claimant is valued at its original cost and property rented by the claimant is valued at an amount equal to the annual rent paid, less any annual rent received from sub-rentals, multiplied by eight (8).

The average value of property is determined by averaging the values at the beginning and ending of the taxable year, except that the Secretary of Revenue may require the averaging of monthly values during the taxable year, if such averaging is reasonably required to properly reflect the average value of the property.

The amount to enter on line 12b of Schedule MA-M does not come from the assessed value of the manufacturing property on the property tax bills. Instead, the property value is based on the original cost of the property provided on a real estate closing statement, purchase invoices, or similar document.

Line 13: Fill in the average value of all of your land and depreciable property owned or rented during the taxable year and used to manufacture qualified production property.

If you are manufacturing qualified production property in another state and finishing the manufacturing process in Wisconsin, the average value of the other states land and depreciable property that was used to manufacture the qualified production property is included on line 13.

The amount to enter on line 13 of Schedule MA-M does not come from the assessed value of the manufacturing property on the property tax bills. Instead, the property value is based on the original cost of the property provided on a real estate closing statement, purchase invoices, or similar document.

Line 14: Divide the amount on line 12b by the amount on line 13 and multiply that amount by 100. Fill in the result on line 14. Carry your decimal to four places, rounding off the fourth position.

Line 15a: Multiply line 11 by the decimal amount on line 14.

- If you are a corporation that is required to file its Wisconsin franchise or income tax return on Form 4 or Form 4T, complete lines 15b and 15d.
- If you are a corporation required to file Form 6, complete lines 15c and 15d.
- Individuals, partnerships, tax-option (S) corporations, and fiduciaries may skip to line 15e after completing line 15a.

Line 15b: If you are a single entity Form 4 or Form 4T filer, fill in the amount from line 11 of Form 4 or line 10 of Form 4T.

Line 15c: If you are a combined group member filing Form 6, fill in on line 15c the Wisconsin net income as computed in the instructions for Form 6, Part III as follows:

	Share of combined unitary income (line 2+3)
+	Income from separate entity items (line 4)
-	Net capital loss adjustment (line 5)
-	Net business loss carryforward (line 7)
	Wisconsin net income

Line 15d: Corporations filing Form 4 or Form 4T should enter the smaller of lines 15a or 15b. Corporations filing Form 6 should enter the smaller of lines 15a or 15c.

Line 15e: Individuals, partnerships, tax-option (S) corporations, and fiduciaries should enter the amount from line 15a.

Line 15f - Individuals and fiduciaries: The amount of eligible qualified production activities income that may be claimed in computing the manufacturing credit is required to be reduced by the amount of qualified production activities income taxed by another state upon which the Wisconsin credit for taxes paid to another state is claimed.

Enter the amount of eligible qualified production activities income that was taxed by another state and used to claim the Wisconsin credit for tax paid to another state**. Do not include partnership or tax-option (S) corporation income on this line**; it will be accounted for on line 17.

Line 17: Fill in the amount of manufacturing credit passed through from tax-option (S) corporations, partnerships, LLCs treated as partnerships, estates, or trusts. The pass-through credit is shown on Schedule 5K-1 for shareholders of tax-option (S) corporations, Schedule 3K-1 for partners and LLC members, and Schedule 2K-1 for beneficiaries of estates or trusts. Fill in the name, federal employer identification number (FEIN), and amount of credit passed through from the entity. If you were allocated a credit from more than one pass-through entity, attach a schedule showing each entity's name, FEIN, and amount of credit. Fill in the total pass-through credit on line 17. Attach the schedule to Schedule MA-M.

Limitation when Credit for Tax Paid to Other States is Claimed

The amount of eligible qualified production activities income that may be claimed in computing the manufacturing credit is required to be reduced by the amount of qualified production activities income taxed by another state upon which the Wisconsin credit for taxes paid to another state is claimed.

When an individual or fiduciary receives the manufacturing credit from a partnership, tax-option (S) corporation, or estate or trust, and the Wisconsin credit for tax paid to another state is claimed on the same eligible qualified production activities income, the individual or fiduciary will need to reduce the eligible qualified production activities income by the amount used to compute the credit for tax paid to another state.

The partnership, tax-option (S) corporation, and estate or trust is required to inform the partners, shareholders, and beneficiaries of their share of the qualified production activities income that is taxable in another state at either the pass-through level or partner/shareholder/beneficiary level. This information should be provided as an attached statement to the Schedules 2K-1, 3K-1, and 5K-1.

Manufacturing Credit Limitation Computation

1. Share of total eligible qualified production activities income .... 1. ________
2. Share of eligible qualified production activities income upon which the credit for tax paid to another state is claimed .... 2. ________
3. Subtract line 2 from line 1 .... 3. ________
4. Multiply line 3 by 0.075 (7.5%). This is the manufacturing credit before business income limitation in Part II .... 4. ________

Line 18a: *Fiduciaries* – Prorate the credit from line 18 between the entity and its beneficiaries in proportion to the income allocable to each. Show the beneficiaries' portion of the credit on line 18a. Show the credit for each beneficiary on Schedule 2K-1.

Line 18b: Subtract line 18a from line 18. This is the estate's or trust's portion of the credit.

Line 19: Enter the amount of manufacturing credit that was not previously used and has not expired. **Include Schedule CF with your tax return.**

Line 21: Individuals and fiduciaries only: Complete the business income limitation table in Part II. See Part II instructions for details on completing the table. The credit, including any credits carried over, may be offset only against the amount of the tax imposed upon or measured by the business operations of the claimant on which the credit is computed:

- For shareholders of a tax-option corporation, the credit may be offset only against the tax imposed on the shareholder's prorated share of the tax-option corporation's income.
- For partners of a partnership, the credit may be offset only against the tax imposed on the partner's distributive share of partnership income.
- For members of a limited liability company, the credit may be offset only against the tax imposed on the member's distributive share of the limited liability company's income.

Line 22: Individuals and fiduciaries should enter the smaller of lines 20 or 21. All other types of taxpayers should enter the amount from line 20. **Include Schedule CF with your tax return if the credit was not used in full.**

Enter the amount of credit from line 22 on the appropriate line of Schedule CR. See the following exceptions:

- *Combined group members* – Enter the amount of credit on Form 6, Part V, line 1 instead of Schedule CR.

- *Tax-option (S) corporations, partnerships, and LLCs treated as partnerships* – Prorate the amount of credit on line 22 among the shareholders, partners, or members based on their ownership interest. Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

Part II Instructions

Business Income Limit Computation

The business income limitation applies to individuals and fiduciaries only. This includes individuals who are a partner in a partnership, shareholder in a tax-option (S) corporation, and/or a member of a limited liability company not taxed as a corporation.

Corporations, partnerships, and tax-option (S) corporations should not complete Part II.

Column b: Enter your tax. Your tax is one of the following:

- ***Individuals:*** Form 1, line 12 or Form 1NPR, line 39
- ***Estates and Trusts*****:** Form 2, line 6c or Form 4T, line 19.

Column c:

Individuals, estates, and trusts should fill in the amount of their Wisconsin tax liability computed without regard to any amounts of income, deduction, or expense from the business operations in which the credit was computed. You must make a separate computation for each pass-through entity or sole proprietorship from which you computed a credit.

If you are an individual or fiduciary, you may determine your recomputed tax liability by completing a second Wisconsin return which does not include these income, expense, or deduction items. The amount to enter in column c is the recomputed amount from the following lines:

- ***Individuals:*** Form 1, line 12 or Form 1NPR, line 39.
- ***Estates and Trusts:*** Form 2, line 6c or Form 4T, line 19.

Column d:

Individuals, estates, and trusts subtract the amount in column c from the amount in column b for each pass-through entity or sole proprietorship.

Column e:

Enter the amount of credit computed that is attributable to the activities of the business that generated the credit. For example, if the total credit computed on line 20 is $5,000, but is from multiple businesses, and Business A's portion of the credit is $1,000, enter $1,000 in column e for Business A.

Required Attachments to Return

- *For claimants not receiving the credit passed through from a partnership, tax-option(S) corporation, limited liability company, estate, or trust:* The only documentation you are required to include with your tax return is Wisconsin Schedule MA-M.

- *For claimants receiving the credit passed through from a partnership, tax-option (S) corporation, limited liability company, estate, or trust:* You are required to include Wisconsin Schedule MA-M and a copy of the Wisconsin Schedule 2K-1, Schedule 3K-1, and/or Schedule 5K-1.

Additional Information

For more information, you may contact any Department of Revenue office or:

- Refer to the manufacturing and agriculture credit common questions at: revenue.wi.gov/Pages/FAQS/ise-manufagr.aspx
- E-mail your question to: DORFranchise@wisconsin.gov.
- Call (608) 266-2772

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations enacted as of October 25, 2024: Chapter 71 Wis. Stats.